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SUBJECT: MILANO-MANHATTAN/EUROFLY: GOI HAS NOT AUTHORIZED,
EUROFLY STILL INTENDS A MAY 8 START-UP

REF: SECSTATE 55307

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11. (SBU) Summary: On May 1, Eurofly representatives told Rome TSA attache the company will start flying an all-business-class service between Milan-Linate and New York-JFK May 8, though an official at Italian aviation regulator ENAC said the agency has yet to approve the plan. Unless instructed otherwise, Rome TSA, in response to Eurofly's intention to start service, plans to inspect Linate May 4-6, and to inspect the inaugural flight itself on May 8. Silvano Manera, ENAC Director General, earlier said he "doubts" the GOI will approve the Eurofly/Milano-Manhattan Club proposal; however, he emphasized the GOI is withholding judgment, until the GOI receives more information from Eurofly. The proposal, as ENAC currently understands it, does not comply with rules governing business charter flights; and the GOI will not sign off on any charter that resembles a scheduled service. Nevertheless, Manera did warn there are loopholes in Italian regulations that might allow the service to go forward. He also indicated that some in the GOI support Eurofly's idea. Manera added that the GOI will review traffic restrictions at Linate, but he views this aspect of the situation as unrelated to Eurofly's proposal. End summary.

Eurofly Has Yet To Receive GOI Authorization.

12. (U) Econoff delivered reftel demarche April 21 to Silvano Manera, Director General of ENAC, Italy's aviation authority. Manera stated that ENAC is aware of Eurofly's intention to start an all-business-class service between Milan-Linate and New York, but neither the Milano-Manhattan Club (Mi-Ma), nor Eurofly, had officially requested GOI authorization of any such air service. Manera said he recently sent letters to Eurofly/Mi-Ma seeking clarification about the planned flights.

13. (SBU) Manera said Eurofly is attempting to exploit a loophole in the GOI's 2001 decree restricting traffic at Linate Airport by operating the flight as a private business charter from Linate's general aviation terminal. Manera said private business charters, unlike scheduled commercial flights, are not subject to destination restrictions under the 2001 decree and can fly trans-Atlantic. Furthermore, Italian regulations do not restrict the size of general aviation charters. Manera was blunt in describing Eurofly/Mi-Ma's plan as a "backdoor" attempt to open Linate

to trans-Atlantic service.

GOI Will Deny Any Scheduled Service...

¶4. (SBU) Manera said the GOI was withholding official judgment until the GOI learns more about Eurofly's proposal. (Note: As of May 2, ENAC had yet to make a decision, according to a contact at the agency. End note.) To qualify as a business charter, Eurofly could not publicize the service, sell tickets, or place flights in the Computerized Reservation System. Nor, he added, could the GOI approve any business charter that involved regularly scheduled flights. Manera agreed that the Milano-Manhattan Club, as currently envisioned, has the trappings of a scheduled service and that he "doubted" the GOI would approve the plan in present form. Even setting aside the question of GOI approval, Manera said there is little chance Eurofly could start operating the flights in May, as the company supposedly intends. Nevertheless, Eurofly representatives told Rome TSA attache on May 1 that the company still plans to begin the flights on May 8. Unless instructed otherwise, Rome TSA will conduct an inspection of Linate May 4-6. Rome TSA also plans to inspect the inaugural flight May 8, if it goes forward.

...But Loopholes Do Exist.

¶5. (SBU) Though skeptical about the plan, Manera warned that ENAC might not have a basis to deny permission should the Mi-Ma Club actually take ownership of the aircraft--i.e., meaning the flights would no longer operate as commercial business charters. He said under current Italian regulations, there is nothing to stop a private individual or

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group from flying daily in their own private airplane, no matter what the size. (Comment: We understand that the Mi-Ma Club does not actually own the aircraft and that Eurofly wants to provide the flights to the Club as a private business charter. Manera seemed to be highlighting the possible acquisition of a plane by the Club itself as a future tactic Eurofly might adopt. End comment.)

¶6. (SBU) Manera also indicated that there is some support within the GOI for the service, which supporters say will boost business ties between Milan and New York. Manera said Transportation Minister Lunardi "is not opposed" to the Eurofly/Mi-Ma idea. (Note: Lunardi will leave the government soon, due to the center-left victory in the April 9-10 elections. End note.) Alitalia, however, is strongly opposed; and Manera predicted the flag carrier will file suit, if Eurofly's Mi-Ma scheme goes forward.

Linate Traffic Restrictions "Have Failed."

¶7. (SBU) Manera characterized the Milano-Manhattan Club as a symptom of the GOI's failed effort to regulate traffic at Linate. He said while the 2001 decree was meant to solidify Malpensa airport as Milan's main international hub, this policy has failed. Passenger traffic has actually increased at Linate, Manera explained, because airlines are using even larger aircraft to service their limited landing slots. Also, despite code share restrictions, many trans-Atlantic passengers still prefer Linate, even though they must purchase two tickets and change planes in Paris or London.

¶8. (SBU) Several mayors of towns surrounding Linate have filed suit against the airport for failure to comply with noise and pollution regulations. These lawsuits, Manera said, have prompted him to recommend that the Ministry of Transport revise the 2001 decree. Manera said, in the future, the GOI should regulate traffic to and from Linate based on hours of operation and noise and pollution levels, rather than destination. However, he clarified that the fact

that the GOI is beginning to rethink the decree does not mean it will necessarily approve the Eurofly/Mi-Ma service. He urged that the GOI and USG maintain communication on the Eurofly/Mi-Ma proposal to insure Eurofly is consistent in its respective requests for authorization. He said Eurofly is "feeling the ground" on both sides to figure out ways to get the Mi-Ma Club venture approved.

Comment

19. (SBU) Manera clearly does not like the idea of Eurofly promoting this service under the guise of a private club and seems inclined to deny authorization. However, ENAC is not completely closing the door on the idea, which, we believe, reflects the fact that Eurofly does have some backing in the GOI, including from officials in charge of Linate airport. Also, as Manera fully acknowledged, there are holes in Italian regulations that might be just big enough to allow Eurofly to operate this "private" air service. Judging by Rome TSA's conversations with Eurofly executives here, the company seems to believe it already has the requisite permissions from both sides. We cannot rule out that, given the ambiguous nature of these flights, Eurofly will simply start operations May 8. End comment.
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